



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**Merchants & Planters Bank, N.A.
Charter Number: 18413**

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Camden, Arkansas 71701**

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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Merchants & Planters Bank, N.A. (M&P)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **May 28, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the U.S. Census Bureau, in conjunction with state agencies.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution’s CRA Rating: This institution is rated “Satisfactory.”

The major factors which support this rating include:

- ▶ The good responsiveness to the credit needs of M&P’s assessment area, as reflected in the volume of small business, consumer and home mortgage loan originations within the assessment area.
- ▶ The good penetration of loans throughout M&P’s assessment area geographies and among retail customers of different income levels and business customers of different sizes.
- ▶ An acceptable level of qualified community development investments and grants that exhibits an adequate responsiveness by M&P to credit and community economic development needs.
- ▶ A service delivery system that is accessible to essentially all portions of M&P’s assessment area.
- ▶ An adequate level of community development services, based on the limited opportunities available within M&P’s assessment area.

The following table indicates the performance level of **Merchants & Planters Bank, N.A.** with respect to the lending, investment, and service tests:

Performance Levels	Merchants & Planters Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Merchants & Planters Bank, N.A. (M&P) is a small community bank based in the southern Arkansas town of Camden. As of December 31, 1996, M&P reported total assets of \$93 million. M&P is a wholly owned subsidiary of First United Bancshares, Inc. (FUB), a multi-bank holding company based in El Dorado, Arkansas. As of December 31, 1996, FUB reported total assets of approximately \$1.5 billion. In addition to M&P, FUB subsidiaries include 10 other community banks operating in Arkansas and Texas and a trust company. All of the subsidiary banks are operated as independent community banks.

In addition to the main office, M&P has five branch offices within the assessment area. The main office and three of the branches are located within the city limits of Camden. The other two branches are located in the small towns of East Camden (5 miles northeast of Camden) and Chidister, Arkansas (15 miles northwest of Camden). M&P also has one-proprietary automated teller machine (ATM) located at a branch within the Camden city limits.

M&P's primary business focus is on consumer and small business lending. The bank offers a variety of retail consumer products including mortgage loans. As of December 31, 1996, gross loans approximated \$34 million. The loan portfolio is centered in loans secured by 1-4 family residential properties (36%), commercial real estate (26%), loans to individuals (20%) and commercial loans (18%).

There are no financial impediments which would hamper M&P's ability to help meet the credit needs of its communities. The Arkansas Usury Law, however, could impede M&P's ability to receive an adequate return on loans to the highest risk borrowers. The law limits the interest rate that financial institutions can charge on consumer loans to 5% over the Federal Discount Rate.

M&P's CRA performance was last evaluated as of June 30, 1994. At that time, M&P's overall performance was rated "satisfactory."

Description of the Assessment Area

Ouachita County Assessment Area															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
0	0%	1,533	18%	0	0%	1,250	14%	2	33%	1,549	18%	4	67%	4,287	50%

M&P has identified Ouachita County as its assessment area. Ouachita County is a non-MSA county located in south Arkansas. According to 1990 U.S. Census data, the county has a total population of 30,574. Ouachita County is comprised of six BNAs. Two are defined as middle-income and four as upper-income BNAs. There are no BNAs defined as low- or moderate-income. The two middle-income BNAs are located in the west-central section of the city of

Camden and southern Ouachita County, respectively. Two of the upper-income BNAs are located in the northern and eastern sectors of the city of Camden, with the remaining two upper-income BNAs located in northeast and northwest Ouachita County.

According to 1990 U.S. Census data, the median family income for the Arkansas nonmetropolitan statewide area, of which Ouachita County is a part, is \$22,420. This is the income level used to determine the income level of the geographies within Ouachita County. HUD's 1996 updated median family income for the area is \$27,300. This is the income level used to determine the income level of families in Ouachita County. Low- and moderate-income families are dispersed throughout the six BNAs that comprise Ouachita County. There is no BNA which has a significant concentration of low- or moderate-income families. Approximately 64% of the housing units in Ouachita County are owner-occupied. The median housing value is \$38,550. The median year built is 1964.

The local economy is depressed, but stable. The economic base consists of light manufacturers, timber and defense-related industries. The economy has been hit hard with cutbacks in the defense industry. Unemployment rates for the county fluctuates between 9% and 11%. Nonfarm businesses represent 98% (872) of total businesses in Ouachita County. Approximately 79% (688) of these businesses have revenues of less than \$1 million. International Paper Company is the largest employer with approximately 1,200 employees. Other major employers are in the defense industry and include Lockheed Martin-Loral Vought Systems, Atlantic Research Corporation, Tracor Aerospace, Hitech, Inc. and National Technical Systems.

Competition in Ouachita County is provided by another locally headquartered national bank (Boatmen's National Bank of South Arkansas), a small credit union (River Valley Credit Union) and branches of a state bank (First Bank of Southern Arkansas) and thrift (Heartland Community Bank). The locally headquartered national bank is considered to be similarly situated to M&P with total assets of approximately \$108 million.

Community contacts we conducted during this evaluation, as well as those conducted by other federal banking regulators, included meetings with an Ouachita County official, a representative from the local chamber of commerce and a local representative of a federal housing agency. In general, the contacts identified affordable housing as an unmet need in Ouachita County. We did not identify any active community development initiatives related to affordable housing in Ouachita County. In addition, the small size, rural nonmetropolitan nature and general lack of sophistication, as it relates to community development, limits the availability of community development opportunities within the assessment area.

Conclusions with Respect to Performance Tests

LENDING TEST

In assessing lending performance, we focused on M&P's lending activity; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and, product flexibility.

Conclusions:

- ▶ M&P's lending level reflects a good responsiveness to assessment area credit needs.
- ▶ A substantial majority of M&P's loans are made in its assessment area.
- ▶ The distribution of M&P's loans reflects good penetration throughout assessment area geographies and among retail customers of different income levels and business customers of different sizes.
- ▶ M&P exhibits a good record of serving the credit needs of low-income individuals and very small businesses, consistent with safe and sound banking practices.
- ▶ We did not identify any loans made by M&P whose primary purpose meets the definition of community development, that are not already considered in our assessment of their small business, consumer or home mortgage loans.

Lending Activity and Assessment Area Concentration

Since the June 1994 CRA evaluation, M&P's loan-to-deposit ratio has been stable and averaged 42%. This average is comparable to the other similarly situated banks in M&P's assessment area, as well as, community bank's throughout the southern Arkansas region. The ratio is reflective of the relatively weak loan demand for both commercial and retail loans throughout the region.

M&P has collected and reported loan data for small business and consumer loan originations in 1996. Consumer loans include loans secured by motor vehicles, other secured loans, other unsecured loans and home equity loans. M&P did not originate any small farm loans in 1996, reflective of the minimal number of farms located in the assessment area (16). Loan data for home mortgage loan originations in 1996 was obtained from an informal bank prepared report. We verified the accuracy of the reported data through the review of limited samples.

Based on bank prepared reports, M&P originated 994 small business, consumer and home mortgage loans totaling approximately \$16 million in 1996. The level of originations reflects a good responsiveness to assessment area credit needs. A substantial majority of these loans, in

terms of both numbers and dollars, were made within M&P's assessment area. The following table illustrates the volume of originations and their location relative to the assessment area by loan product:

Volume of Loan Originations Within the Assessment Area By Loan Product						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000s)	#	%	\$ (000s)	%
Small Business	143	\$5,694	107	75%	\$5,100	90%
Consumer Motor Vehicle	178	\$1,807	148	83%	\$1,547	86%
Consumer Other Secured	273	\$4,057	231	85%	\$3,647	90%
Consumer Other Unsecured	327	\$2,174	297	91%	\$1,457	67%
Home Equity	8	\$213	8	100%	\$213	100%
Home Mortgage	65	\$2,416	57	88%	\$1,995	83%
Totals	994	\$16,361	848	85%	\$13,959	85%

Source: Bank prepared Small Business, Consumer Motor Vehicle, Consumer Other Secured, Consumer Other Unsecured and Home Equity Data Collection Registers; and, Home Mortgage Loan Application Register.

Banks began reporting detailed information on small business, small farm and consumer (optional) loan originations on March 1, 1997. At the time of this evaluation, bank regulatory agencies had not compiled market data based on these reports. In addition, since the assessment area is located in a non-MSA, home mortgage data required to be collected under HMDA is not available. As a result, market share analysis of small business, small farm, consumer and home mortgage lending within M&P's assessment area was not possible.

Geographic Distribution of Loans within the Assessment Area

Given the demographic characteristics of the assessment area, an analysis of the geographic distribution of loans originated by M&P within the assessment area would not be meaningful. M&P's assessment area includes only six BNAs of which two are defined as middle-income and the remaining four as high-income. Refer to the **Description of the Assessment Area** section of this Evaluation for additional details.

Distribution of Borrowers within the Assessment Area

Our analysis of the distribution of M&P's borrowers focused on small business, consumer and home mortgage loan originations reported by M&P for 1996. We gave more weight to the distribution of small business and consumer borrowers in determining the overall rating, since loans to these borrowers represent the majority of originations in 1996.

The distribution of borrowers for small business loans within M&P’s assessment area reflects an adequate penetration among business customers of different sizes. The following table illustrates the distribution of M&P’s small business loan originations within the assessment area by loan size and business revenues:

Distribution of Small Business Loan Originations Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Revenues < \$1,000,000			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
less than \$100,000	95	89%	\$1,564	31%	48	51%	\$973	62%
\$100,000 to \$250,000	8	7%	\$1,233	24%	5	63%	\$818	66%
\$250,000 to \$1,000,000	4	4%	\$2,303	45%	1	25%	\$340	15%
Totals	107	100%	\$5,100	100%	54	50%	\$2,131	42%

Source: Bank prepared Small Business Data Collection Register.

The distribution of borrowers within M&P’s assessment area is excellent for consumer loans and adequate for home mortgage loans. M&P exhibits a good record of serving the overall credit needs of low-income families, consistent with safe and sound banking practices. The following table illustrates the distribution of borrowers for consumer and home mortgage loans within M&P’s assessment area:

Distribution of Home Mortgage and Consumer Loans Within the Assessment Area By Income Level of the Borrower								
	Low-Income Families		Mod-Income Families		Middle-Income Families		Upper-Income Families	
Area Demographic Characteristics	18%		14%		18%		50%	
Count	1,533		1,250		1,549		4,287	
Loan Product	#	%	#	%	#	%	#	%
Home Mortgage	6	12%	5	10%	12	23%	29	56%
Consumer Motor Vehicle	14	10%	39	28%	43	30%	45	32%
Consumer Other Secured	19	13%	26	18%	33	23%	65	45%
Consumer Other Unsecured	42	16%	56	21%	71	27%	96	36%
Home Equity	0	0%	0	0%	0	0%	8	100%
Totals	81	13%	126	21%	159	26%	243	40%

Source: Bank prepared Consumer Motor Vehicle, Consumer Other Secured, Consumer Other Unsecured and Home Equity Data Collection Registers; and, Home Mortgage Loan Application Register.

Refer to Table 1 in **Appendix B** for details regarding the distribution of loan originations by dollar volume.

Community Development Lending

We did not identify any loans made by M&P whose primary purpose meets the definition of community development, that have not already been considered in our assessment of their small business, consumer or home mortgage loans. A review of community contacts conducted by our agency and other federal banking regulatory agencies, discussions with bank management and review of demographic characteristics indicates that community development lending opportunities are limited in M&P's assessment area. The size, rural nature and lack of sophistication in the community regarding community development all contribute to limitations on available community development lending opportunities. M&P's origination of small business and home mortgage loans, already considered in our evaluation of small business and home mortgage lending, meets the most pressing identified needs in the assessment area. Refer to the **Description of the Assessment Area** section of this evaluation for additional performance context information.

Product Innovation

M&P makes limited use of flexible lending practices in order to serve the assessment area's credit needs. Flexible loan products offered include loans guaranteed by the U.S. Small Business Administration (SBA), Federal Housing Authority (FHA) and Veterans Administration (VA) insured home mortgage loans, and Arkansas Development Finance Authority (ADFA) home mortgage bond program loans (when available). The volume of such loans is small and have already been considered in our assessment of small business and home mortgage loans.

INVESTMENT TEST

To assess M&P's performance under the Investment Test, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and, its initiatives with community development.

Conclusions:

- ▶ M&P has a low level of qualified community development investments and grants that exhibits an adequate responsiveness to credit and community economic development needs.

Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development as defined in the CRA regulation. Opportunities to make qualified investments within the assessment area are limited. We did not identify any current community development initiatives within the assessment area. Refer to the **Description of the Assessment Area** section of this Evaluation for additional performance context information.

Based on information provided by the bank, M&P has made one qualifying investment and six qualifying grants. The investment consists of an Arkansas Development Finance Authority (ADFA) bond purchased in 1992 for \$400 thousand, with a current balance of \$80 thousand. The primary purpose of ADFA bonds is to provide affordable housing for low- and moderate-income individuals. The six qualifying grants totaled \$2,040 and include the following:

- Annual \$250 grants to Camden Public Housing Authority for “After-school Study Hall Program (3 grants at \$250 each since the last CRA evaluation totaling \$750);
- A \$300 grant to Camden Public Housing Authority for “Youth Sports Programs”;
- A \$490 grant to “Missouri Pacific Restoration Project” to revitalize the downtown area of Camden; and,
- A \$500 donation to the Arkansas Council on Economic Education which uses the funds to provide school districts with economic education training and resources for grades K-12.

SERVICE TEST

In assessing M&P’s performance under the Service Test, we focused on the accessibility of its delivery systems; changes in branch locations; reasonableness of its business hours and services in meeting the needs of its assessment areas; and, level of community development services.

Conclusions:

- ▶ M&P’s delivery system is accessible to essentially all portions of its assessment area. M&P has not opened or closed any branches since our last evaluation of CRA performance.
- ▶ Services offered at M&P offices do not vary in a way that would inconvenience any portions of the assessment area.
- ▶ M&P provides an adequate level of community development services, based on the limited opportunities available within the assessment area.

Retail Banking Services

The quantity, quality and accessibility of M&P’s service-delivery system within its assessment area is satisfactory, given its size and scope of operations. M&P’s main office and five branch locations are all located in upper-income BNA’s. There are no low- or moderate-income BNA’s within M&P’s assessment area. Approximately 56% of the low-income families within the assessment area reside in the BNA’s where M&P’s main office and branches are located. Refer to the **Description of Institution** section of this Evaluation for additional details.

M&P makes use of alternative delivery systems, in an effort to expand the availability of retail banking services throughout the assessment area. These include: a proprietary automated teller machine (ATM) at one branch location; Money Place 24 Card that allows customers access to a nationwide network of ATM’s, as well as M&P’s proprietary ATM; and, Hot Line telephone

banking service. The Hot Line service allows a M&P customer to receive information regarding their checking, savings and loan accounts, including payment and balance information, by telephone. Customers may also transfer funds among these accounts.

Community Development Services

M&P provides other services in the assessment area whose primary purpose is community development and are related to the provision of financial services. Opportunities for M&P to provide community development services within its assessment area are limited. This conclusion is based on information provided by community contacts, discussions with management and a review of services offered by a similarly situated bank within the assessment area. Refer to the **Description of the Assessment Area** section of this Evaluation for additional performance context information.

M&P offers low-cost checking accounts to specifically address the needs of low- and moderate-income individuals and small businesses. These include the following:

- **Budget Checking Account** - M&P offers a low-cost basic checking account targeted at low- and moderate-income depositors. The account offers a low service charge and no minimum balance requirement.
- **Enterprise Checking Account** - M&P offers a commercial checking account that is designed for individuals starting a new business. This account has a low monthly service charge if the balance falls below \$1,000 and is aimed at small businesses.

Other community development services offered by M&P include ongoing participation in programs that promote financial services education. M&P employees have spoken on several occasions to groups of students at Harmony Grove Elementary School and Camden Fairview High School about banks, banking services and saving money. M&P employees also participated in the Camden Fairview Education and Health Expo. They spoke to parents and students about banking services. In addition, an employee contributed an article to the Camden Housing Authority newsletter entitled *Managing Your Money* that promoted financial planning. This newsletter is provided to local public housing residents.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations (Equal Credit Opportunity Act or Fair Housing Act) were identified. M&P's fair lending policies, procedures, training and internal assessment efforts have been effective in assisting lenders in these issues.

Appendix A: Scope of Examination

The scope of our evaluation focused on M&P's activities in its assessment area, Ouachita County. We utilized the CRA Examination Procedures section of the *Comptroller's Handbook* to perform the evaluation. We evaluated activities since the prior evaluation of CRA performance June 30, 1994 through May 28, 1997. The scope of our evaluation of M&P's lending performance focused on small business, consumer and home mortgage loan originations in 1996. Consumer loans include loans secured by motor vehicles, other secured loans, other unsecured loans and home equity loans. Consumer loans were considered, as they were formally reported by M&P for inclusion in the CRA Disclosure Statement. Although our evaluation period covered a time frame greater than 1996, our evaluation of lending focused on activity for 1996 as an indicator of M&P's performance. This time period was utilized, as it correlates to the period used for data submitted for inclusion in M&P's CRA Disclosure Statement.

Appendix B: Additional Tables

Table 1.

Distribution of Home Mortgage and Consumer Loans Within the Assessment Area By Income Level of the Borrower								
	Low-Income Families		Mod-Income Families		Middle-Income Families		Upper-Income Families	
Area Demographic Characteristics	18%		14%		18%		50%	
Count	1,533		1,250		1,549		4,287	
Loan Product	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
Home Mortgage	\$118	7%	\$126	7%	\$362	21%	\$1,084	64%
Consumer Motor Vehicle	\$84	6%	\$296	21%	\$428	30%	\$603	43%
Consumer Other Secured	\$81	4%	\$95	5%	\$751	36%	\$1,144	55%
Consumer Other Unsecured	\$99	8%	\$159	13%	\$273	22%	\$717	57%
Home Equity	\$0	0%	\$0	0%	\$0	0%	\$213	100%
Totals	\$3,012	13%	\$4,037	18%	\$5,483	24%	\$10,054	45%

Source: Bank prepared Consumer Motor Vehicle, Consumer Other Secured, Consumer Other Unsecured and Home Equity Data Collection Registers; and, Home Mortgage Loan Application Register.